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PREPARATIONS FOR THE UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT ON THE BASIS OF GENERAL ASSEMBLY RESOLUTION 44/228 AND TAKING INTO ACCOUNT OTHER RELEVANT GENERAL ASSEMBLY RESOLUTIONS: CROSS-SECTORAL ISSUES

International policies to accelerate sustainable development in developing countries, and related domestic policies

(Section I, chapter 1, of Agenda 21)

Text submitted by the Chairman on the basis of negotiations held on document A/CONF.151/PC/100/Add.3

INTRODUCTION

1. Economic policies of individual countries and international economic relations both have great relevance to sustainable development. The reactivation and acceleration of development requires both a dynamic and a supportive international economic environment and determined policies at the national level. It will be frustrated in the absence of either of these requirements. A supportive external economic environment is crucial. The development process will not gather momentum if the global economy lacks dynamics and stability and is beset with uncertainties. Neither will it gather momentum if the developing countries are weighted down by external indebtedness, if development finance is inadequate, if barriers restrict access to markets and if commodity prices and the terms of trade of developing countries remain depressed. The record of the 1980s was essentially negative on each of these counts and needs to be reversed. The policies and measures

needed to create an international environment that is strongly supportive of national development efforts are thus vital. International cooperation in this area should be designed to complement and support - not to diminish or subsume - sound domestic economic policies, in both developed and developing countries, if global progress towards sustainable development is to be achieved.

2. The international economy should provide a supportive international climate for achieving environment and development goals in the following ways:

(a) Promoting sustainable development through trade liberalization;

(b) Making trade and environment mutually supportive;

(c) Providing adequate financial resources to developing countries and dealing with international debt;

(d) Encouraging macroeconomic policies conducive to environment and development.

PROGRAMME AREAS

A. Promoting sustainable development through trade

Basis for action

3. An open, equitable, secure, non-discriminatory and predictable multilateral trading system, consistent with the goals of sustainable development, and which leads to the optimal distribution of global production in accordance with comparative advantage, is of benefit to all trading partners. Moreover, improved market access for developing countries' exports in conjunction with sound macroeconomic and environmental policies would have a positive environmental impact and make therefore an important contribution towards sustainable development.

4. Experience has shown that sustainable development requires a commitment to sound economic policies and management, an effective and predictable public administration, the integration of environmental concern into decision-making and progress towards democratic Governments, in the light of country-specific conditions, which allows for full participation of all parties concerned. These attributes are essential for the fulfilment of policy directions and objectives listed below.

5. The commodity sector dominates the economies of many developing countries in terms of production, employment and export earnings. An important feature of the world commodity economy in the 1980s was the prevalence of very low and declining real prices for most commodities in international markets and a resulting substantial contraction in commodity export earnings for many producing countries. The ability of those countries to mobilize, through

international trade, the resources needed to finance investments required for sustainable development may be impaired by this development and by tariff and non-tariff impediments, including tariff escalation, limiting their access to export markets. [The removal of existing distortions in international trade in agriculture is also essential. In particular, the achievement of this objective requires that there be substantial and progressive reduction in support and protection of agriculture - covering internal regimes, market access and export subsidies - in order to avoid inflicting large losses on the more efficient producers, especially in developing countries.] or [The agriculture sector, on which many developing countries depend to a considerable extent, illustrates the potential for mutually supportive initiatives aimed at trade liberalization and the introduction of policies to make agriculture production more responsive to environmental and development needs.]

6. The international trading environment has been affected by a number of developments which have created new challenges and opportunities and which have made multilateral economic cooperation of even greater importance. World trade has continued to grow faster than world output in recent years. However, the expansion of world trade has been unevenly spread, and only a limited number of developing countries have been capable of achieving appreciable growth in their exports. Protectionist pressures and unilateral policy actions continue to endanger the functioning of an open multilateral trading system, affecting particularly the export interests of developing countries. Economic integration processes have intensified in recent years and should impart dynamism to global trade and enhance the trade and development possibilities for developing countries. In recent years, a growing number of these countries have adopted courageous policy reforms involving ambitious autonomous trade liberalization, while far-reaching reforms and profound restructuring processes are taking place in Central and Eastern European countries, paving the way for their integration into the world economy and the international trading system. Increased attention is being devoted to enhancing the role of enterprises and promoting competitive markets through adoption of competitive policies. The GSP has proved to be a useful trade policy instrument, although its objectives will have to be fulfilled, and trade facilitation strategies relating to electronic data interchange (EDI) have been effective in improving the trading efficiency of the public and private sectors. The interactions between environment policies and trade issues are manifold and have not yet been fully assessed. An early, balanced, comprehensive and successful outcome of the Uruguay Round of multilateral trade negotiations would bring about further liberalization and expansion of world trade, enhance the trade and development possibilities of developing countries and provide greater security and predictability to the international trading system.

Objectives

7. In the years ahead, and taking into account the results of the Uruguay Round of multilateral trade negotiations, Governments should continue to strive to meet the following objectives:

(a) Promote an open non-discriminatory and equitable multilateral trading system that will enable all countries - in particular, the developing countries - to improve their economic structures and improve the standard of living of their populations through sustained economic development;

(b) Improve access to markets for exports of developing countries;

(c) Improve the functioning of commodity markets and achieve sound, compatible and consistent commodity policies at national and international levels with a view to optimizing the contribution of the commodity sector to sustainable development taking into account environmental considerations;

(d) Promote and support policies, domestic and international, which make economic growth and environmental protection mutually supportive.

Activities

(a) International and regional cooperation and coordination

Promote an international trading system that takes account of the needs of developing countries

8. Accordingly the activities of the international community should be:

(a) To halt and reverse protectionism in order to bring about further liberalization and expansion of world trade, to the benefit of all countries, in particular the developing countries;

(b) To provide for an equitable, secure, non-discriminatory and predictable international trading system;

(c) To facilitate, in a timely way, the integration of all countries into the world economy and the international trading system;

(d) To ensure that environment and trade policies are mutually supportive, with a view to achieving sustainable development;

(e) To strengthen the international trade policies system through an early, balanced, comprehensive and successful outcome of the Uruguay Round of multilateral trade negotiations.

9. The international community should aim at finding ways and means for achieving a better functioning and enhanced transparency of commodity markets, greater diversification of the commodity sector in developing economies within a macroeconomic framework that takes into consideration a country's economic structure, resource endowments, and market opportunities, and better management of natural resources that takes into account the necessities of sustainable development.

10. Therefore, all countries should implement previous commitments to halt and reverse protectionism and further expand market access, particularly in areas of interest to developing countries. This improvement of market access will be facilitated by appropriate structural adjustment in developed countries. Developing countries should continue the trade-policy reforms and structural adjustment they have undertaken. It is thus urgent to achieve an improvement in market access conditions for commodities, notably the progressive removal of barriers which restrict imports, particularly from developing countries, of commodity products in primary and processed forms as well as the substantial and progressive reduction of types of support that induce uncompetitive production, such as production and export subsidies.

(b) Management related

Develop domestic policies which maximize the benefits of trade liberalization for sustainable development

11. For developing countries to benefit from the liberalization of trading systems, they should implement the following policies, as appropriate:

(a) Create a domestic environment supportive of an optimal balance between production for the domestic and export markets and remove biases against exports and discourage inefficient import-substitution;

(b) Promote the policy framework and the infrastructure required to improve the efficiency of export and import trade as well as the functioning of domestic markets.

12. The following policies should be adopted by developing countries with respect to commodities consistent with market efficiency:

(a) Expand processing, distribution and improve marketing practices and the competitiveness of the commodity sector;

(b) Diversify in order to reduce dependence on commodity exports;

(c) Reflect efficient and sustainable use of factors of production in the formation of commodity prices including the reflection of environmental, social and resources costs.

(c) Data and information

(i) Encourage data collection and research

13. GATT, UNCTAD and other relevant institutions should continue to collect appropriate trade data and information. The Secretary-General of the United Nations is requested to strengthen the Trade Control Measures Information System managed by UNCTAD.

(ii) Improve international cooperation in commodity trade and the diversification of the sector

14. With regard to commodity trade, Governments should, directly or through appropriate international organizations, where appropriate:

(a) Seek optimal functioning of commodity markets, inter alia, through improved market transparency involving exchanges of views and information on investment plans, prospects and markets for individual commodities. Substantive negotiations between producers and consumers should be pursued with a view to achieving viable and more efficient international agreements, that take into account market trends, or arrangements, as well as study groups. In this regard, particular attention should be paid to the agreements on cocoa, coffee, sugar and tropical timber. The importance of international commodity agreements and arrangements is underlined. Occupational health and safety matters, technology transfer and services associated with the production, marketing and promotion of commodities, as well as environmental considerations, should be taken into account;

(b) Continue to apply compensation mechanisms for short-falls in commodity export earnings of developing countries in order to encourage diversification efforts;

(c) Provide assistance to developing countries upon request in the design and implementation of commodity policies and the gathering and utilization of information on commodity markets;

(d) Support efforts of developing countries to promote the policy framework and infrastructure required to improve the efficiency of export and import trade;

(e) Support the diversification initiatives of the developing countries at the national, regional and international levels.

Means of implementation

(a) Financing and cost-evaluation

(b) Capacity-building

15. The above-mentioned technical cooperation activities aim at strengthening national capabilities for design and implementation of commodity policy, use and management of national resources and the gathering and utilization of information on commodity markets.

B. Making trade and environment mutually supportive

Basis of action

16. Environment and trade policies should be mutually supportive. An open, multilateral trading system makes possible a more efficient allocation and use of resources and thereby contributes to an increase in production and incomes and to lessening demands on the environment. It thus provides the additional resources needed for economic growth and development and improved environmental protection. A sound environment, on the other hand, provides the ecological and other resources needed to sustain growth and underpin a continuing expansion of trade. An open, multilateral trading system, supported by the adoption of sound environmental policies, would have a positive impact on the environment and contribute to sustainable development.

17. International cooperation in the environmental field is growing, and in a number of cases trade provisions in multilateral environment agreements have played a role in tackling global environmental challenges. Trade measures have thus been used in certain specific instances, where considered necessary, to enhance the effectiveness of environmental regulations for the protection of the environment. Such regulations should address the root causes of environmental degradation so as not to result in unjustified restrictions on trade. The challenge is to ensure that trade and environment policies are consistent and reinforce the process of sustainable development. However, account should be taken of the fact that environmental standards valid for developed countries may have unwarranted social and economic costs in developing countries.

Objectives

18. Governments should strive to meet the following objectives, through relevant multilateral forums including GATT, UNCTAD and other international organizations:

(a) Make international trade and environment policies mutually supportive in favour of sustainable development;

(b) [Improve the multilateral framework to identify and address circumstances when environment-related trade measures could be the most effective policy option for promoting the environmental goal while avoiding unnecessary restrictions to trade;]

(c) Clarify the role of GATT, UNCTAD and other international organizations in dealing with trade and environment-related issues including, where relevant, conciliation procedure and dispute settlement;

(d) Encourage international productivity and competitiveness and encourage a constructive role on the part of industry in dealing with environment and development issues.

Activities

Developing an environment/trade and development agenda

19. Governments should encourage GATT, UNCTAD and other relevant international and regional economic institutions to examine, in accordance with their respective mandates and competences, the following propositions and principles:

(a) Elaborate adequate studies for the better understanding of the relationship between trade and environment for the promotion of sustainable development;

(b) Promote a dialogue between trade, developmental and environmental communities;

(c) In those cases when trade measures related to environment are used, ensure transparency and compatibility with international obligations;

(d) Deal with the root causes of environment and development problems in a manner which avoids the adoption of environmental measures resulting in unjustified restrictions on trade;

(e) [Avoid the use of trade restrictions or distortions and subsidies as a means to offset differences in cost arising from differences in environmental standards and regulations since their application could lead to trade distortions and increase protectionist tendencies, bearing in mind that governmental subsidies may be considered useful in certain circumstances, such as during transition periods or in stimulating development of environmental technologies;]

(f) Ensure that environment-related regulations or standards, including those related to health and safety standards, do not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on trade;

(g) Ensure that special factors affecting environment and trade policies in the developing countries are borne in mind in the application of environmental standards as well as in the use of any trade measures. It is worth noting that standards that are valid in the most advanced countries may be inappropriate and of unwarranted social cost for the developing countries;

(h) Encourage participation of developing countries in multilateral agreements through mechanisms such as special transitional rules;

(i) Unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country should be avoided. Environmental measures addressing transborder or global environmental problems should, as far as possible, be based on an international consensus. Domestic measures targeted to achieve certain environmental objectives may need trade measures to render them effective. Should trade policy measures be found necessary for

the enforcement of environmental policies, certain principles and rules should apply. These could include, inter alia, the principle of non-discrimination; the principle that the trade measure chosen should be the least trade-restrictive necessary to achieve the objectives; an obligation to ensure transparency in the use of trade measures related to the environment and to provide adequate notification of national regulations; and the need to give consideration to the special conditions and developmental requirements of developing countries as they move towards internationally agreed environmental objectives;

(j) Develop more precision, where necessary, and clarify the relationship between GATT provisions and some of the multilateral measures adopted in the environment area;

(k) Ensure public input in the formation, negotiation and implementation of trade policies as a means of fostering increased transparency in the light of country-specific conditions;

(l) Ensure that environmental policies provide the appropriate legal and institutional framework to respond to new needs for the protection of the environment that may result from changes in production and trade specialization.

C. Providing adequate financial resources to developing countries

Basis for action

20. Investment is critical to the ability of developing countries to achieve needed economic growth to improve the welfare of their populations and to meet their basic needs in a sustainable manner, all without deteriorating or depleting the resource base that underpins development. Sustainable development requires increased investment, for which domestic and external financial resources are needed. Foreign private investment and the return of flight capital which depend on a healthy investment climate are an important source of financial resources. Many developing countries have experienced a decade-long situation of negative net transfer of financial resources, during which their financial receipts were exceeded by payments they had to make, in particular for debt-servicing. As a result, domestically mobilized resources had to be transferred abroad instead of being invested locally in order to promote sustainable economic development.

21. For many developing countries, the reactivation of development will not take place without an early and durable solution to the problems of external indebtedness, taking into account the fact that, for many developing countries, external debt burdens are a significant problem. The burden of debt-service payments on those countries has imposed severe constraints on their ability to accelerate growth and eradicate poverty and has led to a contraction in imports, investment and consumption. External indebtedness has

emerged as a main factor in the economic stalemate in the developing countries. Continued vigorous implementation of the evolving international debt strategy is aimed at restoring debtor countries' external financial viability and the resumption of their growth and development would assist in achieving sustainable growth and development. [In this context, additional financial resources in favour of developing countries are essential.]

Objectives

22. [The specific requirements for the implementation of the sectoral and cross-sectoral programmes included in Agenda 21 are dealt with in the relevant programme area and in the related discussion of financial resources and mechanisms. However, in order to provide an efficient macroeconomic framework that would restore the ability of developing countries to invest for sustainable development, it is necessary to ensure substantial financial resources to developing countries. To this end, donors to developed countries should implement the undertakings they have made to attain the agreed international target of devoting 0.7 per cent of GNP to ODA. There should also be continued improvements in the quality of aid as well as its utilization. Furthermore, the continuation of the process of debt and debt-service reduction is required.]

Activities

(a) Meet international targets of official development assistance funding

23. [Developed countries should implement the undertakings they have made to attain the agreed international target of devoting 0.7 per cent of gross national product to official development assistance and 0.15 per cent to the least developed countries. Developed countries should enhance the quality and the quantity of their aid (para. 27 of General Assembly S-18/3).]

(b) Address the debt issue

24. In regard to the external debt incurred with commercial banks, the progress being made under the strengthened debt strategy is recognized and a more rapid implementation of this strategy is encouraged. Some countries have already benefited from the combination of sound adjustment policies and commercial bank debt reduction or equivalent measures. The international community encourages:

(a) Other countries with heavy debts to banks to negotiate similar commercial bank debt reduction with their creditors;

(b) The parties to such a negotiation to take due account of both the medium-term debt reduction and new money requirements of the debtor country;

(c) Multilateral institutions actively engaged in the strengthened international debt strategy to continue to support debt-reduction packages related to commercial bank debt with a view to ensuring that the magnitude of such financing is consonant with the evolving debt strategy;

(d) Creditor banks to participate in debt and debt-service reduction;

(e) Strengthened policies to attract direct investment, avoid unsustainable levels of debt and foster the return of flight capital.

25. With regard to debt owed to official bilateral creditors, the recent measures taken by the Paris Club with regard to more generous terms of relief to the poorest most indebted countries are welcomed. Ongoing efforts to implement these "Trinidad terms" measures in a manner commensurate with the payments capacity of those countries and in a way that gives additional support to their economic reform efforts are welcomed. The substantial bilateral debt reduction undertaken by some creditor countries is also welcomed, and others which are in a position to do so are encouraged to take similar action.

26. The actions of low-income countries with substantial debt burdens which continue, at great cost, to service their debt and safeguard their credit-worthiness are commended. Particular attention should be paid to their resource needs. Other debt-distressed developing countries which are making great efforts to continue to service their debt and need their external financial obligations also deserve due attention.

27. In connection with multilateral debt, it is urged that serious attention should be given to continuing to work towards growth-oriented solutions to the problem of developing countries with serious debt-servicing problems, including those whose debt is mainly to official creditors or to multilateral financial institutions. Particularly in the case of low-income countries in the process of economic reform, the support of the multilateral financial institutions in the form of new disbursements and the use of their concessional funds is welcomed. The use of support groups should be continued in providing resources to clear arrears of countries embarking upon vigorous economic reform programmes supported by IMF and the World Bank. Measures by the multilateral financial institutions such as the refinancing of interest on non-concessional loans with IDA reflows - "fifth dimension" - are noted with appreciation.

Means of implementation

Financing and cost-evaluation

D. Encourage economic policies conducive to sustainable development

Basis for action

28. The unfavourable external environment facing developing countries makes domestic resource mobilization, and efficient allocation and utilization of domestically mobilized resources all the more important for the promotion of sustainable development. In a number of countries, policies are necessary to correct misdirected public spending, large budget deficits and other

macroeconomic imbalances, restrictive policies and distortions in the areas of exchange rates, investment and finance, and obstacles to entrepreneurship. [In developed countries such policy reforms would help to release resources for supporting the transition to sustainable development domestically and for supporting such a transition in developing countries. An increase in domestic savings in developed countries would be a complement to policies to restrain consumption on environmental grounds.]

29. Good management that fosters the association of effective, efficient, honest, equitable and accountable public administration with individual rights and opportunities, is an essential element for sustainable, broadly based development and sound economic performance at all development levels. All countries should increase their efforts to eradicate mismanagement of public and private affairs, including corruption, taking into account the factors responsible for, and agents involved in, this phenomenon.

30. Many indebted developing countries are undergoing structural adjustment programmes relating to debt rescheduling or new loans. While such programmes are necessary for improving the balance in fiscal budgets and balance-of-payments accounts, in some cases they have resulted in adverse social and environmental effects, such as cuts in allocations for health care, education and environmental protection. It should seek to ensure that structural adjustment programmes do not have negative impacts on environment and social development so that such programmes can be more in line with the objectives of sustainable development.

Objectives

31. It is necessary to establish, in the light of the country-specific conditions, economic policy reforms that promote the efficient planning and utilization of resources for sustainable development through sound economic and social policies, fostering entrepreneurship and the incorporation of social and environmental costs in resource pricing, and removing sources of distortion in the area of trade and investment.

Activities

(a) Management related

Promote sound economic policies

32. The industrialized countries and other countries in a position to do so should strengthen their efforts:

(a) To encourage a stable and predictable international economic environment, particularly with regard to monetary stability, real rates of interest and fluctuations in key exchange rates;

(b) To stimulate savings and reduce fiscal deficits;

(c) To ensure that the processes of policy coordination take into account the interests and concerns of the developing countries, including the need to promote positive action to support the efforts of the least developed countries to halt their marginalization from the world economy;

(d) To undertake appropriate national macroeconomic and structural policies aimed at promoting non-inflationary growth, narrowing their major external imbalances and increasing the adjustment capacity of their economies.

33. Developing countries should consider strengthening their efforts to implement sound economic policies:

(a) That maintain monetary and fiscal discipline required to promote price stability and external balance;

(b) That result in realistic exchange rates;

(c) That raise domestic savings and investment as well as improve returns to investment.

34. More specifically, all countries should develop policies that improve efficiency in the allocation of resources and take full advantage of the opportunities offered by the changing global economic environment. In particular, wherever appropriate, and taking into account national strategies and objectives, countries should:

(a) Remove the barriers to progress caused by bureaucratic inefficiencies, administrative strains, unnecessary controls and the neglect of market conditions;

(b) Promote transparency in administration and decision-making;

(c) Encourage the private sector and foster entrepreneurship by improving institutional facilities to enterprise creation and market entry. The essential objective would be to simplify or remove the restrictions, regulations, and formalities that make it more complicated, costly and time-consuming to set up and operate enterprises in many developing countries;

(d) Promote and support the investment and infrastructure required for sustainable economic growth and diversification on an environmentally sound and sustainable basis;

(e) Provide scope for appropriate economic instruments, including market mechanisms, in harmony with the objectives of sustainable development and fulfilment of basic needs;

(f) Promote the operation of effective tax systems and financial sectors;

(g) Provide opportunities for small-scale enterprises, both farm and non-farm, and for the indigenous population and local communities to contribute fully to attain the objective of sustainable development;

(h) Remove biases against exports and in favour of inefficient import substitution and establish policies that allow them to benefit fully from the flows of foreign investment, within the framework of national, social, economic and developmental goals;

(i) Promote the creation of a domestic economic environment supportive of an optimal balance between production for the domestic and export markets.

(b) International and regional cooperation and coordination

35. Governments of developed countries and those of other countries in a position to do so should, directly or through appropriate international and regional organizations and international lending institutions, enhance their efforts to provide developing countries with the following:

(a) Increased technical assistance for capacity-building in the nation's design and implementation of economic policies, upon request;

(b) Design and operation of efficient tax systems, accounting systems and financial sectors;

(c) Promotion of entrepreneurship.

36. International financial and development institutions should further review their policies and programmes in the light of the objective of sustainable development.

37. Stronger economic cooperation among developing countries has long been accepted as an important component of efforts to promote economic growth, technological capabilities and accelerate development in the developing world. Therefore, the efforts of the developing countries to promote economic cooperation among themselves should be enhanced and continue to be supported by the international community.

Means of implementation

(a) Financing and cost-evaluation

(b) Capacity-building

38. The above-mentioned policy changes in developing countries involve substantial national efforts for capacity-building in the areas of public administration, central banking, tax administration, savings institutions and financial markets.

39. In the implementation of the four programme areas identified in this chapter, special attention should be given to the special circumstances facing the economies in transition. It is also to be recognized that these countries are facing unprecedented challenges in transforming their economies, in some cases in the midst of considerable social and political tensions.

40. Particular efforts in the implementation of the four programme areas identified in this chapter are warranted in view of the specially acute environmental and developmental problems of the least developed countries.